

Message Text

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SUBJ: ZAMBIAN FINANCE MINISTER DELIVERS ANNUAL

BUDGET SPEECH - JUNE 27, 1975

REF : BANJUL A-36 JUNE 10, 1975

SUMMARY: ANNUAL BUDGET MESSAGE REPORTED SECOND SUCCESSIVE RECORD GROUNDNUT CROP, INCREASED GDP, HIGHER FARM AND PER CAPITA INCOME, INCREASED MONEY SUPPLY, IMPROVED EMPLOYMENT FIGURES, SATISFACTORY TOURISM YEAR, SUBSTANTIAL INCREASES IN AVAILABILITIES OF DEVELOPMENT ASSISTANCE. CAUSES FOR CONCERN INCLUDE STEEP CLIMB IN PRICE INDEX AND IMPORT COSTS, DECLINE IN WORLD GROUNDNUT PRICES, RELATIVELY POOR SHOWING IN PRIVATE EMPLOYMENT SECTOR, WEAKNESS OF STERLING. DAILY MINIMUM WAGE AND WORK WEEK INCREASED; NEW REVENUE PROPOSALS INCLUDE CONTROVERSIAL PAYROLL TAX ON EXPATRIATE EXECUTIVE S SALARIES. END SUMMARY.

1. THE 1974/75 GROUNDNUT CROP INCREASED SLIGHTLY (TO 137,000 TONS) OVER PREVIOUS YEAR. LOWER PRICES, HOWEVER, WILL HOLD REVENUES BELOW LAST YEAR. GDP ROSE BY EIGHT PER CENT, UNCLASSIFIED

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PER CAPITA INCOME INCREASED FROM D287 TO D309 (D1.62;USDOL 1.00).

FARM INCOMES AND MONEY SUPPLY INCREASED AND PRICE INDEX MOVED UP BY 22.2 PER CENT. IN MARCH, 1975, EXTERNAL RESERVES STOOD AT D49 MILLION, EQUIVALENT TO NINE MONTHS IMPORTS AT CURRENT RATE. DESPITE A 33 PER CENT INCREASE IN IMPORT COSTS, THE GAMBIA S B/P REMAINS HEALTHY WITH PROMISING OUTLOOK FOR NEXT FY. BEYOND THAT, HOWEVER, THERE ARE MANY UNCERTAINTIES RELATED TO WORLD PRICES FOR GAMBIAN EXPORTS AND WEAKNESS OF STERLING. TERMINATION OF STERLING GUARANTEE AGREEMENT AT END OF 1974 MEANS GOTG WILL NO LONGER BE COMPENSATED BY UK SHOULD EXTERNAL VALUE OF POUND FALL BELOW AGREED LEVEL.

2. EMPLOYMENT, STILL DOMINATED BY PUBLIC SECTOR, ROSE SHARPLY IN 1974, COMPARED WITH PREVIOUS YEAR. EXTERNAL TRADE WAS VALUED AT D130 MILLION FOR FY-73/74 AND IS EXPECTED TO REACH D150 MILLION FOR FY-74/75. DOMESTIC EXPORTS NEARLY DOUBLED IN VALUE FROM 72/73 TO 73/74. FIGURES FOR 74/75 ARE EXPECTED TO HOLD UP WELL DESPITE DECLINING PRICES. SOME ADDITIONAL SMALL PRIVATE FOREIGN INVESTMENTS AND INCREASED DEVELOPMENT ASSISTANCE AVAILABILITIES FROM GREATLY DIVERSIFIED SOURCES WERE REPORTED. DESPITE MANY UNCERTAINTIES, TOURISM MAINTAINED SATISFACTORY LEVELS. MINIMUM WAGE FOR GOTG EMPLOYEES INCREASED FROM D2.20 A YEAR AGO TO D3.25 PER DAY FOR SIX-DAY, 38-HOUR WEEK, RETROACTIVE TO APR 1. SEVERAL NEW REVENUE MEASURES WERE PROPOSED, INCLUDING HIGHER FEES AND TAXES ON PETROLEUM PRODUCTS, BEER, MEDICAL, POSTAL SERVICES, HOTEL BEDS, AIRPORT TAX AND LANDING FEES, VEHICLE AND DRIVER S LICENSES. MOST CONTROVERSIAL IS PROPOSED FLAT D1,000 PAYROLL TAX ON EXPATRIATE EXECUTIVES IN COMMERCE AND INDUSTRY. OF APPROXIMATELY 100 INDIVIDUALS, BRITISH, FRENCH, INDIANS IN BANKING, COMMUNICATIONS, RETAIL TRADE LIKELY TO BE MOST HEAVILY AFFECTED.

PROBABILITY FOUR AMCITS WILL FALL UNDER TERMS AS WELL. IF PASSED, MEASURE CERTAIN TO CREATE MUCH RESENTMENT AMONG SMALL EXPATRIATE COMMUNITY.

3. TEXT OF SPEECH BEING FORWARDED BY AIRGRAM.
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